

**PUBLIC DISCLOSURE**

MAY 21, 2000

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**LAWRENCE SAVINGS BANK**

**30 MASSACHUSETTS AVENUE  
NORTH ANDOVER, MA 01845**

**DIVISION OF BANKS  
ONE SOUTH STATION  
BOSTON, MA 02110**

<p><b>NOTE:</b> This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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## GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **LAWRENCE SAVINGS BANK** prepared by the Massachusetts Division of Banks, the institution's supervisory agency, as of **MAY 21, 2000**. The Division evaluates performance in the assessment area(s), as they are defined by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00.

**INSTITUTION'S CRA RATING: This institution is rated "High Satisfactory"**

The bank's High Satisfactory rating is based on three performance criteria: the Lending Test, the Investment Test, and the Service Test and covers the period January 1, 1998 through April 28, 2000.

Ratings for each of the three tests are identified on page 3. Lawrence Savings Bank's lending levels reflect a good responsiveness to its assessment area's credit needs. The bank originated 75.5% of the number of loans and 67.0% of the dollar amount within its assessment area for the period under review. In addition, the bank originated 54.9% of its small business loans within the same area. The performance in the geographic distribution of loans when compared to both the demographics of the assessment area and the performance of all other HMDA reporters is considered to be good. Based on the products reviewed, the lending distribution by borrower profile shows a good penetration among retail customers of different income levels and among business customers of different sizes. Lawrence Savings Bank has extended an adequate level of community development loans, given the needs of the area and the resources of the bank. Lawrence Savings Bank also makes good use of innovative and flexible lending practices in order to better serve the assessment area credit needs particularly those of low and moderate-income individuals and small businesses.

The bank has a good level of qualified community development investments and grants. The bank exhibits good responsiveness to credit and community economic development needs and makes significant use of innovative and complex investments to support community development initiatives.

Lawrence Savings Bank's delivery systems are readily accessible to all portions of the assessment area. The bank's services are designed to meet the needs of the assessment area, with specific services benefiting low and moderate-income individuals. Bank personnel meet with local community organizations to discuss the credit needs of the community, and make their own personal contributions through volunteer efforts in a variety of public service, charitable, and youth organizations.

## **LENDING, INVESTMENT, AND SERVICE TEST TABLE**

<b>PERFORMANCE TESTS Lawrence Savings Bank</b>			
<b>Performance Levels</b>	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	<b>X</b>	<b>X</b>	<b>X</b>
Satisfactory			
Needs to Improve			
Substantial Non-Compliance			

\*Note: The Lending Test is weighed more heavily than the Service and Investment Tests when arriving at an overall rating.

## **PERFORMANCE CONTEXT**

## Description of Institution

Lawrence Savings Bank (LSB), a community savings institution, was incorporated under the laws of the Commonwealth of Massachusetts in 1868. On May 9, 1986, the bank converted to stock ownership.

As of its March 31, 2000, FDIC Quarterly Call Report, LSB had \$411,967,000 in total assets. Of these total assets, approximately \$195,551,000 or 47.5 percent were in the form of loans.

The composition of the bank's loan portfolio consists of residential mortgage loans, commercial real estate loans, construction and land development loans, home equity loans, commercial loans and a variety of consumer loans. Refer to the following table for the distribution of the bank's loan portfolio.

### Loan Portfolio Composition

Loan Type	Amount (000s)	Percent
Residential Mortgages	88,531	45.3%
Commercial Real Estate	75,510	38.6%
Construction and Land Development Loans	13,231	6.8%
Commercial Loans	11,519	5.9%
Equity Lines of Credit	5,519	2.8%
Consumer Loans	1,241	0.6%
<b>Total Gross Loans</b>	<b>195,551</b>	<b>100.0%</b>

Source: March 31, 2000 Consolidated Report of Condition.

The bank also sells all 30-year fixed rate mortgage loans in the secondary market to Freddie Mac, Mass Housing and numerous other buyers. Refer to the following for additional information.

<b>LOANS SOLD ON THE SECONDARY MARKET</b>								
Location	1998		1999		YTD 2000		Total	
	#	\$(000)	#	\$(000)	#	\$(000)	#	\$(000)
Freddie Mac	88	\$10,799	141	\$15,728	6	\$576	235	\$27,103
Mass Housing	1	\$112	6	\$486	2	\$213	9	\$811
Others	16	\$1,672	4	\$318	2	\$145	22	\$2,135
<b>Total</b>	<b>105</b>	<b>\$12,583</b>	<b>151</b>	<b>\$16,532</b>	<b>10</b>	<b>\$934</b>	<b>266</b>	<b>\$30,049</b>

Lawrence Savings Bank is headquartered at 30 Massachusetts Avenue, North Andover, Massachusetts. In addition, the bank operates four other full service offices located in Lawrence, Methuen, West Methuen, and Andover (Shawsheen). All branches offer a full

range of services. The bank has Automated Teller Machines (ATMs) located at all offices except the Lawrence branch.

The bank's CRA Committee is comprised of the CRA/Consumer Loan Officer, a representative of the Management Committee, the Marketing Officer, the Mortgage Originator, a Commercial Loan Officer and two Branch Managers (on an alternating basis). The CRA Committee meets every other month to evaluate the bank's CRA performance and to discuss opportunities for enhancements to the CRA program. The CRA committee subsequently presents a summary to the full Board of Directors.

Lawrence Savings Bank operates in a very competitive market, which includes 434 lenders. Local competitors include but are not limited to the following: Peoples Heritage Bank, Andover Bank, Family Bank (FSB), First Essex Bank (FSB), as well as representatives of regional and national mortgage companies. The market influence from these institutions appears to be significant, and as a result serves to keep the bank's rates and services offered competitive.

Market share information obtained from CRA WIZ, based on 1998 aggregate performance data indicates that the bank was ranked 22nd in total originations and purchased loans within its assessment area. In addition, the bank was rated 16th in lending to low and moderate-income applicants, and 13<sup>th</sup> in lending in low and moderate-income census tracts within the assessment area.

The bank was last examined for compliance with the Community Reinvestment Act by the Federal Deposit Insurance Corporation (FDIC) on January 4, 1999. That examination resulted in an overall rating of "Satisfactory".

Based on the bank's resources, size, product offerings, and branch network, there does not appear to be any legal impediments which inhibit its ability to help meet the various credit needs of the assessment area.

## **Description of Assessment Area**

### **Overview**

The Community Reinvestment Act (CRA) requires financial institutions to define an assessment area within which its CRA performance will be evaluated. The bank's assessment area contains 23 cities and towns located in the Lawrence NH-MA PMSA. The Office of Management and Budget establishes MSAs for statistical reporting purposes by federal agencies.

Lawrence Savings Bank's assessment area consists of the following cities and towns in Massachusetts and New Hampshire:

Massachusetts: Includes the cities of Haverhill, Lawrence and Methuen; and the towns of Andover, Boxford, Georgetown, Groveland, Merrimac, North Andover, and West Newbury.

New Hampshire: Includes the towns of Atkinson, Chester, Danville, Derry, Fremont, Hampstead, Kingston, Newton, Plaistow, Raymond, Salem, Sandown, and Windham.

The assessment area is comprised of 73 census tracts, of which 10, or 13.7% are designated as low-income; 12, or 16.4%, as moderate-income; 40, or 54.8%, as middle-income; and 11 or 15.1%, as upper-income. The Cities of Lawrence and Haverhill have the largest number of census tracts, including the 10 low-income census tracts. Lawrence and Haverhill also contain 11 moderate-income census tracts. The remaining moderate-income census tract is located in Methuen.

Refer to the following tables for further information.

CENSUS TRACTS BY INCOME WITHIN ASSESSMENT AREA					
MASSACHUSETTS					
CITY/TOWN	LOW	MODERATE	MIDDLE	UPPER	TOTAL



Lawrence	9	8	1	0	18
Haverhill	1	3	7	0	11
Methuen	0	1	8	0	9
Andover	0	0	1	5	6
North Andover	0	0	3	2	5
Boxford	0	0	0	1	1
Georgetown	0	0	1	0	1
Groveland	0	0	1	0	1
Merrimac	0	0	1	0	1
West Newbury	0	0	0	1	1
<b>Total</b>	<b>10</b>	<b>12</b>	<b>23</b>	<b>9</b>	<b>54</b>

Based on 1993 % MSA Median Family Household Income.

CENSUS TRACTS BY INCOME WITHIN ASSESSMENT AREA					
NEW HAMPSHIRE					
CITY/TOWN	LOW	MODERATE	MIDDLE	UPPER	TOTAL
Derry	0	0	4	0	4

Salem	0	0	4	0	4
Atkinson	0	0	0	1	1
Chester	0	0	1	0	1
Danville	0	0	1	0	1
Fremont	0	0	1	0	1
Hampstead	0	0	1	0	1
Kingston	0	0	1	0	1
Newton	0	0	1	0	1
Plaistow	0	0	1	0	1
Raymond	0	0	1	0	1
Sandown	0	0	1	0	1
Windham	0	0	0	1	1
<b>Total</b>	<b>0</b>	<b>0</b>	<b>17</b>	<b>2</b>	<b>19</b>
<b>Grand Total MA &amp; NH</b>	<b>10</b>	<b>12</b>	<b>40</b>	<b>11</b>	<b>73</b>
<b>Percent</b>	<b>13.7</b>	<b>16.4</b>	<b>54.8</b>	<b>15.1</b>	<b>100.0</b>

\* Based on 1993 % MSA Median Family Household Income.

The following data provides demographic and economic information pertaining to the bank's assessment area:

Housing information obtained from CRA WIZ, based on 1990 census data, indicated that there are 135,513 housing units within the assessment area, of which 59.4% are owner-occupied units, 33.1% are rental units, and 7.5% are vacant units.

Of the above housing units, approximately 80% are one to four-family homes and 17% are multi-family (five and more units) units. The weighted average median year the housing stock was built is 1961, and the weighted median housing value is \$156,342.

Income information obtained from CRA WIZ, based on 1990 census data, for the assessment area indicated a median family income of \$46,609 based upon 125,278 households and 353,409 individuals. Approximately 24.0% of these households are considered low-income, 15.6% are moderate-income, and 9.3% are below poverty level.

Community contacts conducted during the examination provided information on the assessment area. The contacts were conducted in Lawrence and included one organization whose primary goal is to revitalize Lawrence and another organization that is a proponent of affordable housing in Lawrence. Both contacts were in agreement that there is a need to educate the low and moderate-income individuals of Lawrence and make it possible for these individuals to purchase their first homes. In addition, one of the organizations felt there was a need to increase small business activity in the downtown Lawrence area.

### **City of Lawrence, Massachusetts**

The City of Lawrence, Massachusetts, once a thriving manufacturing community, now represents one of the poorest areas in the State. The City is comprised of nine low-income census tracts, eight moderate-income census tracts, and one middle-income census tract. According to the 1990 US Census, the population of Lawrence is 70,177. Of this total, 90 percent reside in either low or moderate-income areas. Additional census data reveals that 65 percent of the households are classified as either low or moderate-income, with 25 percent earning below the poverty level. The median family income in Lawrence of \$26,384, is 44 percent less than the PMSA and 41% less than the State income figure. The 2 largest employers in the city are Lawrence General Hospital and Malden Mills.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS:**

### **LENDING TEST**

The lending test evaluates a bank's record of helping to meet the credit needs of its assessment area through its lending activities by considering a bank's home mortgage, small business, small farm and community development lending. The bank's lending performance is determined by factors such as the volume of the institution's loans within its assessment area, particularly to low and moderate-income borrowers and

geographies; the amount of small business loans originated to businesses with annual revenues less than \$1 million; the institution's responsiveness to community development lending; the use of innovative and flexible lending practices; fair lending policies and practices; and the effects of the institution's lending on affordable housing. Based on these factors, Lawrence Savings Bank lending performance receives an overall rating of High Satisfactory. The following information details the data compiled and reviewed, as well as conclusions on the bank's performance. Performance under the lending test is weighed more heavily than the investment and service tests when arriving at an overall rating.

## ***I. Lending Activity***

Lawrence Savings Bank's lending activity and record of extending credit were reviewed during the course of this examination.

The bank's lending levels reflect a good responsiveness to the assessment area's credit needs. The bank's assets totaled \$411,967,000 as of March 31, 2000. Gross loans totaled \$195,551,000, representing 47.5 percent of total assets.

As of March 31, 2000 the net loan to deposit ratio was 76.8 percent. This ratio has decreased from 79.6 percent on March 31, 1999. The decrease in this ratio is a result of a deposits decreasing by 0.2%, while net loans decreased by 3.6%. The mitigating factor for this decrease is the bank's sale of 151 mortgage loans totaling \$16,530,000 in the secondary market during 1999. According to the December 31, 1999, Uniform Bank Performance Report (UBPR), the bank's net loan to deposit ratio was 78.9 percent. The peer group's net loan to deposit ratio was 84.9 percent, placing the bank in the 31st percentile.

The bank's net loans and leases as a percent of assets, as reported in the December 31, 1999, Uniform Bank Performance Report (UBPR), was 48.2 percent. The peer group's net loan to asset ratio was 64.9 percent, placing the bank in the 13th percentile. The bank's ratio is lower than peer, however, it should be noted that the UBPR determines a peer ratio based on similarly sized banks nationwide without regard to regional or state differences.

## ***II. Geographic Distribution***

### **HMDA-Reportable Lending**

Lawrence Savings Bank's 1998, 1999, and YTD April 28, 2000 Loan Application Registers (LARs) were reviewed to determine the amount of credit extended within the bank's delineated assessment area. During this period, the bank originated 666 HMDA-reportable loans totaling \$84,510,000. Of this amount, 503 loans, or 75.5 percent of the number and \$56,655,000 or 67.0 percent of the dollar volume was originated within the bank's assessment area.

By number, Methuen, accounted for the largest percentage of originations with 25.4 percent, followed by Lawrence with 14.1 percent. Methuen also accounted for the largest dollar volume of originations with 19.4 percent, followed by Andover with 10.3 percent.

Refer to the following tables for additional information regarding the bank's HMDA-reportable lending, by both number and dollar volume.

<b>HMDA-Reportable Loans by Number of Originations</b>								
<b>Location</b>	<b>1998</b>		<b>1999</b>		<b>YTD 2000</b>		<b>Total</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Methuen	110	25.5%	56	25.9%	4	21.1%	170	25.4%
Lawrence	51	11.8%	39	18.1%	4	21.1%	94	14.1%
Haverhill	41	9.5%	11	5.1%	0	0.0%	52	7.8%
Andover	34	7.9%	16	7.4%	0	0.0%	50	7.5%
North Andover	38	8.8%	9	4.2%	3	15.7%	50	7.5%
Salem	21	4.9%	13	6.0%	2	10.5%	36	5.4%
Atkinson	5	1.2%	2	0.9%	0	0.0%	7	1.1%
Derry	2	0.5%	3	1.4%	2	10.5%	7	1.1%
Merrimac	5	1.2%	1	0.5%	0	0.0%	6	0.9%
Windham	6	1.4%	0	0.0%	0	0.0%	6	0.9%
West Newbury	3	0.7%	2	0.9%	0	0.0%	5	0.7%
Boxford	4	0.9%	0	0.0%	0	0.0%	4	0.6%
Plaistow	2	0.5%	1	0.5%	0	0.0%	3	0.5%
Other Towns < 0.5% Each	8	1.8%	5	2.2%	0	0.0%	13	2.0%
<b>Inside Assessment Area</b>	<b>330</b>	<b>76.6%</b>	<b>158</b>	<b>73.1%</b>	<b>15</b>	<b>78.9%</b>	<b>503</b>	<b>75.5%</b>
Outside Assessment Area	101	23.4%	58	26.9%	4	21.1%	163	24.5%
<b>Total</b>	<b>431</b>	<b>100.0%</b>	<b>216</b>	<b>100.0%</b>	<b>19</b>	<b>100.0%</b>	<b>666</b>	<b>100.0%</b>

Source: HMDA/LAR Data for the period 1/1/98 to 04/28/00.

<b>HMDA-Reportable Loans by Dollar Amount of Originations</b>								
<b>Location</b>	<b>1998</b>		<b>1999</b>		<b>YTD 2000</b>		<b>Total</b>	
	<b>\$(000)</b>	<b>%</b>	<b>\$(000)</b>	<b>%</b>	<b>\$(000)</b>	<b>%</b>	<b>\$(000)</b>	<b>%</b>
Methuen	10,854	19.6%	5,156	19.4%	377	14.5%	16,387	19.4%
Andover	6,065	10.9%	2,660	10.0%	0	0.0%	8,725	10.3%
Lawrence	4,084	7.4%	3,264	12.3%	690	26.5%	8,038	9.5%
North Andover	4,663	8.4%	1,447	5.5%	727	28.0%	6,837	8.1%
Haverhill	4,378	7.9%	963	3.6%	0	0.0%	5,341	6.3%
Salem	2,640	4.8%	1,412	5.3%	147	5.7%	4,119	4.9%
Boxford	1,462	2.6%	0	0.0%	0	0.0%	1,462	1.7%
West Newbury	523	0.9%	395	1.5%	0	0.0%	918	1.1%

Merrimac	708	1.3%	112	0.4%	0	0.0%	820	1.0%
Derry	213	0.4%	312	1.2%	152	5.8%	677	0.8%
Windham	661	1.2%	0	0.0%	0	0.0%	661	0.8%
Atkinson	367	0.7%	285	1.1%	0	0.0%	652	0.8%
Plaistow	308	0.6%	120	0.5%	0	0.0%	428	0.5%
Other Towns < 0.5% Each	992	1.7%	518	2.0%	0	0.0%	1,510	1.8%
<b>Inside Assessment Area</b>	<b>37,918</b>	<b>68.4%</b>	<b>16,644</b>	<b>62.8%</b>	<b>2,093</b>	<b>80.5%</b>	<b>56,655</b>	<b>67.0%</b>
Outside Assessment Area	17,482	31.6%	9,865	37.2%	508	19.5%	27,855	33.0%
<b>Total</b>	<b>55,400</b>	<b>100.0%</b>	<b>26,509</b>	<b>100.0%</b>	<b>2,601</b>	<b>100.0%</b>	<b>84,510</b>	<b>100.0%</b>

Source: HMDA/LAR Data for the period 1/1/98 to 04/28/00.

As indicated in the tables above, the majority of loans originated in 1998, 1999, and year-to-date 2000 were inside the bank's assessment area. Of the loans made inside the assessment area, there were 10 loans totaling \$838,000 originated in Lawrence's nine low-income tracts and 58 loans totaling \$5,090,000 in its eight moderate-income tracts. In Haverhill, five loans totaling \$307,000 were originated in its three moderate-income tracts with no loans being originated in the one low-income tract. In Methuen, four loans totaling \$292,000 were originated in the one moderate-income tract.

### Small Business Lending

Lawrence Savings Bank's 1998, 1999 and year-to date 2000 Small Business Loan Registers (SBLRs) were reviewed to determine the amount of credit extended within the delineated assessment area. For purposes of this loan register, a small business loan is defined as "a loan with an original amount of \$1 million or less that is: secured by non-farm nonresidential properties; or commercial and industrial loans to US addressees, as defined in the FDIC Call Report Instructions." The bank originated 144 small business loans totaling \$26,685,000 during this period. A total of 79 loans totaling \$7,968,000 were originated to businesses within the bank's assessment area, representing 54.9 percent by number and 29.9 percent by dollar volume.

Refer to the following tables for additional information regarding the bank's small business lending, by both number and dollar volume.

<b>Small Business Loans Inside &amp; Outside Assessment Area (by Number of Loans)</b>								
	1998		1999		*2000 YTD		TOTAL	
	#	%	#	%	#	%	#	%
<b>Inside Assessment Area</b>	36	53.7	27	50.0	16	69.6	79	54.9
Outside Assessment Area	31	46.3	27	50.0	7	30.4	65	45.1

<b>TOTAL</b>	<b>67</b>	<b>100.0</b>	<b>54</b>	<b>100.0</b>	<b>23</b>	<b>100.0</b>	<b>144</b>	<b>100.0</b>
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Source: Small Business Data, \* Year to Date (YTD) as of April 24, 2000.

<b>Small Business Loans Inside &amp; Outside Assessment Area (by Dollar Amount)</b>								
	1998		1999		*2000 YTD		TOTAL	
	\$(000)	%	\$(000)	%	\$(000)	%	\$(000)	%
<b>Inside Assessment Area</b>	3,723	33.3	2,395	19.5	1,850	56.9	7,968	29.9
Outside Assessment Area	7,449	66.7	9,869	80.5	1,399	43.1	18,717	70.1
<b>TOTAL</b>	<b>11,172</b>	<b>100</b>	<b>12,264</b>	<b>100.0</b>	<b>3,249</b>	<b>100.0</b>	<b>26,685</b>	<b>100.0</b>

Source: Small Business Data, \* Year to Date (YTD) as of April 24, 2000.

As shown in the above tables a majority of the number of small business loans was originated inside the bank's assessment area, however, a substantial amount of the dollar volume was outside the assessment area.

### ***III. Distribution by Census Tract Income Level***

#### **HMDA-Reportable Lending**

The geographic distribution of lending within Lawrence Savings Bank assessment area was reviewed in order to determine the extent to which the bank has been able to penetrate low-, moderate-, middle-, and upper-income geographies. Included are residential mortgage loans as reported on the bank's HMDA/ LAR. The review covered the period from January 1, 1998 to April 28, 2000.

As stated in the performance context, for purposes of this analysis the assessment area consists of 73 census tracts with the following composition: 10, or 13.7% are low-income, 12 or 16.4% are moderate-income, 40 or 54.8% are middle-income and 11 or 15.1% are upper-income. Of the 10 low-income census tracts within the assessment area, 9 are located in the City of Lawrence and 1 is located in the City of Haverhill. Of the 12 moderate-income census tracts, 8 are located in Lawrence, 3 are located in Haverhill, and 1 is located in the town of Methuen.

The following tables provide a breakdown of Lawrence Savings Bank's residential loan originations and purchases (by number) within the assessment area by census tract income level. The table also shows the number of loans in comparison to the number of owner-occupied housing units in each census tract income category.

**Distribution of HMDA-Reportable Loans within the Assessment Area by  
Census Tract Income Level**

Census Tract Income Level	Owner-Occupied Properties		1998		1999		YTD 2000		Total	
	#	%	#	%	#	%	#	%	#	%
Low	1,355	1.7	6	1.8	3	1.9	1	6.7	10	2.0
Moderate	6,849	8.5	36	10.9	27	17.1	2	13.3	65	12.9
Middle	55,788	69.3	221	67.0	108	68.4	10	66.7	339	67.4
Upper	16,545	20.5	67	20.3	20	12.6	2	13.3	89	17.7
Total	80,537	100.0%	330	100.0%	158	100.0%	15	100.0%	503	100.0%

Source: HMDA/LAR Data for the period 1/1/98 to 04/28/00.

As shown in the above table, 2.0 percent of the bank's total loans for 1998, 1999, and year to date 2000 were originated and purchased within low-income census tracts and 12.9 percent within moderate-income census tracts. The distribution of loans in low and moderate-income census tracts exceeds the percentage of owner-occupied housing units. This is due in part to the variety of flexible lending products offered by the bank.

The geographic distribution of loans by census tract income category may also be compared to that of all other HMDA-reporting lenders in the assessment area. The bank operates in a highly competitive market. Other HMDA-reporters include bank and non-bank entities such as large national banking companies, other local banks, credit unions and mortgage companies. The most recent data available for this analysis relates to calendar year 1998 and is presented in the following table.

**Distribution of HMDA-Reportable Loans within the Assessment Area by  
Census Tract Income Level**  
**Lawrence Savings Bank Compared to All Other HMDA Reporters**

Census Tract Income Level	Number of Loans				Dollar Amount of Loans			
	Lawrence Savings Bank		All Other Reporters		Lawrence Savings Bank		All Other Reporters	
	#	%	#	%	\$(000)	%	\$(000)	%
Low	6	1.8%	447	1.7%	426	1.1%	32,394	0.8%



Moderate	36	10.9%	1,587	6.0%	2,949	7.8%	128,258	3.2%
Middle	221	67.0%	17,522	66.2%	23,428	61.8%	2,447,209	60.8%
Upper	67	20.3%	6,897	26.1%	11,115	29.3%	1,414,187	35.2%
NA	-	-	9	0.0%	-	-	1,346	0.0%
Total	330	100.0%	26,462	100.0%	37,918	100.0%	4,023,394	100.0%

Source: HMDA/LAR Data for the period 1/1/98 to 12/31/98.

As demonstrated above, the percentage of the bank's lending activity in low and moderate-income census tracts, by both number and dollar, exceeds the aggregate. The percentage of Lawrence Savings Bank lending activity in low and moderate-income census tracts was 12.7 percent by number and 8.9 percent by dollar amount in 1998. By comparison, the aggregate originated 7.7 percent by number and 4.0 percent by dollar amount in low and moderate-income census tracts. In addition, the above table also demonstrates that the bank's HMDA-reportable loans in middle-income census tracts are proportionate to the aggregate while loans made in upper-income census tracts are below than the aggregate.

In 1998, Lawrence Savings Bank ranked 13th in market share for lending in low and moderate-income census tracts within its assessment area. The bank originated 42 HMDA-reportable loans in these census tracts, representing 2.0 percent of the market. BankBoston was number one with 8.0 percent of the market.

### Small Business Lending

The bank's small business loans were analyzed to determine the distribution by census tract income level within its assessment area.

The following tables depict this distribution.

<b>Small Business Loan Distribution by Census Tract (Number)</b>								
Census Tract Level	1998		1999		*2000 YTD		TOTAL	
	#	%	#	%	#	%	#	%
Low	10	27.8	3	11.1	4	25.0	17	21.5
Moderate	5	13.9	1	3.7	2	12.5	8	10.1
Middle	12	33.3	14	51.9	7	43.8	33	41.8
Upper	9	25.0	9	33.3	3	18.7	21	26.6
<b>TOTAL</b>	<b>36</b>	<b>100.0</b>	<b>27</b>	<b>100.0</b>	<b>16</b>	<b>100.0</b>	<b>79</b>	<b>100.0</b>

Source: Small Business Data, \* Year to Date (YTD) as of April 24, 2000.

As shown above, the bank originated 31.6 percent of its small business loans in low and moderate-income census tracts by number. The majority of small business loans were extended to businesses in middle-income census tracts.

Based on the above information, the bank's distribution of HMDA-reportable small business loans by census tract income level reflects a good dispersion of loans throughout the assessment area.

#### **IV. Borrower Characteristics**

Lawrence Savings Bank's residential loans were further analyzed to determine the distribution of lending by borrower income level. Borrowers reported incomes were compared to the median family incomes of the Lawrence MA-NH (MSA). The income figures are based on estimated Department of Housing and Urban Development (HUD) information. The estimated incomes in the Lawrence MSA for 1998, 1999, and 2000 are \$56,700, \$57,900, and \$60,800 respectively.

Low-income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate-income is defined as income between 50 percent and 79 percent of the median family income level for the MSA. Middle-income is defined as income between 80 percent and 119 percent of the median family income level for the MSA. Upper-income is defined as income equal to or greater than 120 percent of the median family income level for the MSA.

The following table shows the number of HMDA-reportable loans to low, moderate, middle and upper-income borrowers in comparison to the number of families in the assessment area in each respective income group.

#### **Distribution of HMDA-Reportable Loans within the Assessment Area to Borrowers of Different Income Levels**

<b>Borrower Income Level</b>	<b>Families</b>		<b>1998</b>		<b>1999</b>		<b>YTD 2000</b>		<b>Total</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<50%	18,780	20.2	17	5.2	14	8.9	3	20.0	34	6.8
50 – 79%	15,820	16.9	66	20.0	37	23.4	6	40.0	109	21.7
80 – 119%	24,010	25.7	92	27.9	43	27.2	3	20.0	138	27.4
120%>	34,925	37.2	131	39.7	54	34.2	2	13.3	187	37.1
NA	-	-	24	7.2	10	6.3	1	6.7	35	7.0
<b>Total</b>	<b>93,535</b>	<b>100.0%</b>	<b>330</b>	<b>100.0%</b>	<b>158</b>	<b>100.0%</b>	<b>15</b>	<b>100.0%</b>	<b>503</b>	<b>100.0%</b>

Source: HMDA/LAR Data for the period 1/1/98 to 04/28/00

In 1998, 1999, and year to date April 28, 2000, Lawrence Savings Bank extended a total of 34 loans to low-income borrowers representing 6.8 percent of the total loans originated and purchased within the assessment area during this period. This is below the 20.2 percent of low-income families within the assessment area. However, there

are several mitigating factors that contribute to this phenomenon. First, approximately 9.3% of the families within the assessment area are living below the poverty level. With the cost of a home within the assessment area averaging over \$156,000, homeownership is very difficult and in many cases virtually impossible for many low-income families. Finally, the city of Lawrence, which contains 9 of the 10 low-income census tracts within the assessment area, has an owner-occupancy rate of only 32.0%. The low owner-occupancy rate coupled with a very competitive lending market within the assessment area further limits available lending opportunities.

Lawrence Savings Bank originated 109 loans to moderate-income borrowers, representing 21.7 percent of the total originations and purchases within the assessment area. The number of loans granted exceeds the 16.9 percent of households within the assessment area that are moderate-income.

The distribution of the loans among borrowers of various income levels may also be compared to that of all other HMDA-reporting lenders in the assessment area. As previously mentioned, other HMDA-reporters include bank and non-bank entities such as large national banking companies, other local banks, credit unions and mortgage companies. The most recent data available for this analysis relates to calendar year 1998 and is presented in the following table.

**Lending Within the Assessment Area to Borrowers of  
Different Income Levels  
Lawrence Savings Bank Compared to All Other HMDA-Reporters**

Borrower Income Level	Number of Loans				Dollar Amount of Loans			
	Lawrence Savings Bank		All Other Reporters		Lawrence Savings Bank		All Other Reporters	
	#	%	#	%	\$(000)	%	\$(000)	%
< 50%	17	5.2%	1,332	5.0%	1,151	3.0%	102,604	2.6%
50 – 79%	66	20.0%	3,566	13.5%	4,905	12.9%	299,232	7.4%
80 – 119%	92	27.9%	5,927	22.4%	9,842	26.0%	638,375	15.9%
> = 120%	131	39.7%	10,362	39.2%	19,585	51.7%	1,765,103	43.9%
NA	24	7.2%	5,275	19.9%	2,435	6.4%	1,218,080	30.2%
Total	330	100.0%	26,462	100.0%	37,918	100.0%	4,023,394	100.0%

Source: HMDA Data for the period 1/1/98 to 12/31/98.

As shown above, Lawrence Savings Bank's percentage of loans to low-income borrowers is slightly higher than that of the aggregate by both number and dollar amount. Lawrence Savings Bank originated 5.2 percent of its loans by number and 3.0 percent by dollar amount within the assessment area to borrowers of low-income, compared to the aggregate with 5.0 percent by number and 2.6 percent by dollar amount. HMDA-reportable loans to moderate-income borrowers accounted for 20.0 percent by number and 12.9 percent by dollar amount within the assessment area. Both number and dollar amount exceed that of the aggregate.

The distribution of HMDA-reportable loans by borrower income level demonstrates the bank's willingness to lend to borrowers of all income levels, including those of low and moderate-income. In 1998, Lawrence Savings Bank ranked 16th in lending to low and moderate-income borrowers within its assessment area. The bank originated 83 HMDA-reportable loans from borrowers in these income groups, capturing 1.7 percent of the market. The top lender to low and moderate-income borrowers was Countrywide Home Loans with 9.7 percent of the market.

### Small Business Lending

The small business loans originated within the bank's assessment area in 1998, 1999 and year-to-date 2000 were analyzed to determine the typical loan amount at origination. The majority of the 79 small business loans originated in the bank's assessment area during this time period had original loan amounts of \$100,000 or less. The following table depicts the distribution of small business loans within the bank's assessment area by loan amount at origination.

SMALL BUSINESS LOAN SIZE	1998		1999		*2000 YTD		TOTAL	
	#	%	#	%	#	%	#	%
<=\$100,000	26	72.2	23	85.2	13	81.2	62	78.4
>\$100,000 and <=\$250,000	6	16.7	2	7.4	2	12.5	10	12.7
>\$250,000	4	11.1	2	7.4	1	6.3	7	8.9
<b>TOTAL</b>	<b>36</b>	<b>100.0</b>	<b>27</b>	<b>100.0</b>	<b>16</b>	<b>100.0</b>	<b>79</b>	<b>100.0</b>

Source: Small Business Data, \*Year-to-Date as of April 24, 2000

By dollar amount, 32.8 percent of the loans had amounts less than or equal to \$100,000 and 19.4 percent had loan amounts between \$100,000 and \$250,000. The remaining 47.8 percent had loan amounts greater than \$250,000.

Small business loans originated within the bank's assessment area, during this period, were also analyzed to determine the distribution among businesses of various sizes. The majority of small business loans originated during this period were granted to small businesses, whose annual revenues were less than or equal to \$1 million. The following table depicts the distribution of small business loans within the bank's assessment area by revenues of the business.

Small Business Loans by Annual Revenues ( Number)								
REVENUE SIZE	1998		1999		2000 YTD		TOTAL	
	#	%	#	%	#	%	#	%
<= \$1 million	22	61.1	19	70.4	11	68.7	52	65.8
> \$1 million	14	38.9	8	29.6	5	31.3	27	34.2

<b>TOTAL</b>	<b>36</b>	<b>100.0</b>	<b>27</b>	<b>100.0</b>	<b>16</b>	<b>100.0</b>	<b>79</b>	<b>100.0</b>
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Source: Small Business Data, \*Year-to-Date as of April 24, 2000

By dollar amount, 49.0 percent of the loans went to businesses that had annual revenues less than or equal to \$1 million and 51.0 percent went to businesses that had annual revenues greater than \$1 million.

The results of the above analysis show that the bank's distribution of lending to borrowers of various incomes and small businesses is good.

## ***V. Community Development Lending***

Community development lending includes providing affordable housing for low and moderate-income individuals, promoting activities for economic development by financing small businesses, and lending that revitalizes or stabilizes low or moderate-income geographies. A community development loan is a loan that:

- Has as its primary purpose community development;
- Has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multi-family dwelling loan; and
- Benefits the bank's assessment area or a broader statewide or regional area that includes the assessment area.

Lawrence Savings Bank has granted an adequate level of qualified community development purpose loans. Described below are 5 loans totaling \$782,000. In addition, the bank made two commitments totaling \$1,500,000 in 1998 and 1999.

### **Lawrence Boys and Girls Club**

In April 1998, Lawrence Savings Bank provided a \$ 41,000 loan to the organization for the purpose of funding its accounts payable. The business assets of the club secure the loan. The Boys and Girls Club is located in a low-income census tract and provides educational and recreational services to the children of Lawrence.

### **Fidelity House, Inc.**

In March 2000, Lawrence Savings Bank provided a \$16,000 loan to the organization for the purpose of obtaining a new van. Fidelity House is an organization that assists mentally retarded children in group homes located in Lawrence.

### **Professional Center for Handicapped Children**

In May 1999, Lawrence Savings Bank provided two loans totaling \$600,000 to this organization. One loan for \$300,000 was a commercial loan secured by the assets of the business. The other loan for \$300,000 was a commercial loan secured by real estate. The Professional Center for Handicapped Children is a non-profit community

service agency that provides therapeutic and educational services for at-risk and special needs infants/toddlers and their families through supporting the family unit and working with each child to develop to his or her full potential.

### **Lawrence Planning and Neighborhood Development Corporation**

In March 2000, Lawrence Savings Bank provided a \$25,000 line of credit for this organization. The loan was secured by a certificate of deposit.

### **Greater Lawrence Habitat for Humanity**

In November 1999, the bank provided a \$100,000 loan to this organization. The monies from this loan are to leverage assets in order to borrow money for future homes for those in need.

### **Greater Lawrence Chamber of Commerce**

Lawrence Savings Bank has been a participant in the Chamber since December of 1995. The bank provided the Chamber with a \$1,000,000 commitment for the development of the Lawrence River Front Industrial Park. This commitment has been in existence since 1998.

### **Merrimack Valley Manufacturing Partnership Inc. (MVMP)**

The bank has provided the MVMP with a \$500,000 commitment for a loan program for manufacturers in the northeast portion of the Commonwealth. This program will be available to qualified manufacturing companies to improve their manufacturing processes and business practices. This commitment has been in existence since 1998.

## ***VI. Innovative or Flexible Lending Practices***

Lawrence Savings Bank designs and participates in a variety of loan programs aimed at meeting the credit needs of low and moderate-income homebuyers and small businesses. Details of these programs are as follows.

### ***Mortgage Loan Programs***

#### **First Time Home Buyer – Option I**

Lawrence Savings Bank offers this program to applicants wishing to purchase properties within the assessment area. Borrowers must not have owned a principal residence within three years prior to the application date. This program offers 1/8 percent off the market rate for any product. In addition, the borrower's income cannot exceed \$45,000 for a single person household, and \$55,000 for a two or more person household. In 1998, Lawrence Savings Bank originated 10 loans totaling \$904,550. In

1999, the bank originated 8 loans totaling \$679,900. The bank has not yet originated any loans under this program in 2000.

### **First Time Home Buyer- Option II**

Lawrence Savings Bank offers this first time homebuyers program to households outside the bank's assessment area. This program offers market rates for mortgage products, plus a \$500 check given to the borrowers to be put towards closing costs. There are no income limitations. In 1998, the bank originated 12 loans, totaling \$1,528,650. In 1999, the bank originated 5 loans totaling \$718,350, and in 2000, the bank has originated 2 loans totaling \$181,400.

### **Sub-Prime Lending**

Lawrence Savings Bank began offering qualified applicants the opportunity to obtain residential mortgages through a sub-prime program in 1997. The typical sub-prime borrower has a history of marginal credit and higher debt to income ratios than the average mortgage customer does. The costs associated with a sub-prime loan are higher than the standard mortgage loan product and are generally reflected in higher interest rates and closing costs. In 1998, the bank originated 15 loans, totaling \$1,453,650. In 1999, the bank originated 4 loans totaling \$317,500, and in 2000, the bank originated 2 loans totaling \$145,000.

### **HOME**

The bank is involved with the lending programs of Homeowner Options for Massachusetts Elders (HOME). HOME is an independent non-profit agency dedicated to helping low and moderate-income senior citizens remain in their homes. HOME provides counseling, education, lending programs and various other services. During 1998, the bank originated one loan for \$55,700, and during 1999, the bank originated one loan for \$58,800.

### **Government-Sponsored Loan Programs**

#### **Massachusetts Housing Finance Agency (MHFA)**

This program features below market interest rates for lower income borrowers. The program is limited to first time homebuyers with specific income and purchase price limits targeting low-income individuals. The program features relaxed underwriting guidelines and reduced downpayment requirements. All mortgages are underwritten in accordance with MHFA underwriting guidelines. In 1998, the bank originated 1 loan for \$112,400. In 1999, the bank originated 6 loans totaling \$487,600 and in 2000, the bank originated 1 loan for \$87,200.

### **Small Business Lending**

## **Massachusetts Capital Access Program (CAP)**

Lawrence Savings Bank offers loans through the CAP program. This program was established in 1993 and is administered through the Massachusetts Business Development Corporation for the purpose of providing business loans to companies with higher amounts of risk than the conventional business customer. To qualify for the program, the company must be based in Massachusetts and have annual sales of less than \$5 million. In addition, loan proceeds must be for a business purpose in Massachusetts. In 1998, the bank originated 2 loans totaling \$220,000. However, due to a lack of state funding, no monies were made available during 1999. The program has just recently received new money for 2000.

### **Small Business Administration**

Lawrence Savings Bank participates in various Small Business Administration (SBA) lending programs, extending loans under the 7(a) Guaranteed, Low Doc, SBA 504, and CAP loan programs, as detailed below.

The 7(a) program provides start-up costs to new small businesses. Under this loan program, the bank funds the entire loan with a guarantee from the SBA. The maximum guarantee percentage (75% to 80%) varies depending on the use of the loan proceeds. No loans were originated under this program during the period of review.

The Low Doc program is 90 percent guaranteed by the SBA. The program focuses on the character and business experience of the applicant, rather than the availability of collateral. This program requires very little documentation. Lawrence Savings Bank originated 4 loans for \$180,000 in 1998 and 5 loans totaling \$415,000 in 1999. No loans have been made under this program in 2000.

The SBA 504 program provides for direct financing by the SBA of a portion of all small business loans originated under this program. The general loan structure involves 10 percent participation by the small business, 40 percent participation by a community development corporation, and 50 percent participation by the bank. During this review period, no loans have been granted.

The CAPLine program enables a small business to acquire a line of credit. The proceeds can be used to support accounts receivable and inventory for businesses that have been in operations for at least one year. The amount of SBA guarantee varies depending on the size of the line.

## ***VII. Fair Lending Policies and Practices***

Lawrence Savings Bank has a formal Community Reinvestment and Fair Lending Policy, which is reviewed by the Board of Directors annually. This policy in part considers the guidelines established by Regulatory Bulletin 2.3-101, the Division's Fair Lending Policy.



Detailed below is the bank's fair lending performance as it correlates to the guidelines established by the above Regulatory Bulletin.

## **STAFF TRAINING**

The bank contracts with an outside consultant to conduct Fair Lending training on an ongoing basis. All bank officers and staff are required to attend. In addition, Lawrence Savings Bank has contracted the services of a consultant to perform and provide a fair lending and paired testing program.

The bank has conducted internal training for all employees for Fair Lending and CRA. New employees also go through an internal program where they learn about the purpose and intent of CRA, Fair Lending, the bank's commitment, and the employees' responsibility.

## **STAFF COMPOSITION AND COMPENSATION**

According to 1990 Census data, the bank's assessment area contains a total population of 353,409 individuals of whom 44,272 or 12.5% are minorities. The bank currently employs 108 individuals of whom 8.3% are minorities.

Currently, there are 27 bilingual employees to assist the non-English speaking customers and potential customers at the bank. Second languages spoken include French, Polish, Portuguese, Arabic, Italian, German, and Spanish.

The bank has one loan originator who is paid a commission with incentives to make MHFA loans. A review of the past three months of originations indicated a good mix of loans of all amounts.

## **OUTREACH**

In an effort to determine the credit needs of the entire assessment area, including low and moderate-income neighborhoods and low and moderate-income individuals, bank officers, management and bank staff have developed relationships with many local community organizations. Refer to the service test of this examination for further details of these organizations.

## **CREDIT PRODUCTS AND UNDERWRITING STANDARDS**

Management periodically reviews the bank's credit products and underwriting standards to ensure that the credit needs of the assessment area are being met. Lawrence Savings Bank offers flexible government subsidized and guaranteed loan programs. These products and programs are listed in the Innovative or Flexible Lending Practices section of this report.

The bank continues to utilize flexible underwriting standards and evaluate compensating factors consistent with safe and sound banking practices. The bank

regularly reviews its credit products to determine whether or not it is meeting the credit needs of its entire assessment area, including low and moderate-income areas.

## **MARKETING**

In an effort to attract low and moderate-income individuals, the bank advertises in local print media such as the Eagle Tribune, a daily publication serving the Greater Lawrence area, and Rumbo, a bi-monthly newspaper serving the Hispanic population.

In addition, the bank periodically advertises on several radio stations, which include but are not limited to WCCM, a local radio station serving the Lawrence area, and WHAV, an all-Spanish station.

In order to meet the needs of its entire assessment area, including Spanish speaking individuals, Lawrence Savings Bank publishes brochures in Spanish for three of its offices. The Spanish language brochures give potential customers information on checking accounts, banking services, fee schedules, and FDIC and DIF insurance. In addition, there is a moving message sign in Spanish that displays the bank's credit products.

## **CREDIT EDUCATION**

The bank has not participated in any credit education seminars during the period under review.

## **COUNSELING**

Credit application assistance is provided to all applicants. All delinquent customers are provided with the HUD approved list of available credit counseling agencies. One such agency is the Consumer Credit Counseling Service of Massachusetts.

## **SECOND REVIEW PRACTICES**

The bank has a formal second review policy for all mortgage applications. This policy is included in the bank's mortgage lending policy and in its Fair Lending policy. A senior loan manager will conduct a second review of every denied loan application prior to formal notification of adverse action to the applicant. Denied applications are compared to approved applications to determine if compensating factors were applied fairly and consistently. In addition, all denied minority mortgage applications and a sample of consumer loan denials are reviewed by the bank's CRA Committee to assure there is no evidence of discrimination.

## **INTERNAL CONTROL PROCEDURES**

Lawrence Savings Bank utilizes the CRA software Tactician to obtain detailed geographic and demographic information on a census tract level. This software provides information such as percentage of owner occupied homes, percentage of minorities, and median income levels. Reports are also generated to analyze the geographic distribution of loans.

The bank has also hired an outside firm to conduct self-assessment tests. The self-analysis is designed to compare the relative qualifications of denied minority applicants to approved non-minority applicants to ensure that all applicants were treated with the same standards.

Lawrence Savings Bank has also retained the services of a mystery shopping service. The service uses individuals posing as customers to solicit business, as would a normal customer. The idea is to analyze the results of the interaction between the employee and customer in order to improve customer service and insure fair lending practices to all individuals.

The bank also employs an outside consulting firm to perform audits of compliance with various Fair Lending laws and regulations.

### **MINORITY APPLICATION FLOW**

According to 1990 Census Data, the bank's assessment area contains a total population of 353,409 individuals of which 12.5% are minorities. The minority population is 10.2% Hispanic, 0.8% Black, 1.3% Asian, 0.1% American Indian and 0.1% Other.

A review of residential loan applications was conducted in order to determine the number of applications the bank received from minorities. From January 1, 1998, through April 28, 2000, the bank received 562 residential loan applications from within its assessment area. Of these, 503 or 89.5% were approved. During this period, 44 applications or 7.8% were received from minorities. Refer to the following tables for further details.

#### **Lawrence Savings Bank Residential Application Flow**

	<b>1998</b>		<b>1999</b>		<b>2000-YTD</b>		<b>TOTALS</b>	
<b>RACE</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Native American	1	0.3	2	1.2	0	0.0	3	0.5
Asian	5	1.3	3	1.7	0	0.0	8	1.4
Black	4	1.1	0	0.0	0	0.0	4	0.7
Hispanic	16	4.3	8	4.6	2	11.1	26	4.6
Joint Race	2	0.5	0	0.0	0	0.0	2	0.4
Other	1	0.3	0	0.0	0	0.0	1	0.2
<b>TOTAL MINORITY</b>	29	7.8	13	7.5	2	11.1	44	7.8
White	324	87.3	144	83.3	15	83.3	483	85.9

NO INFO	18	4.9	16	9.2	1	5.6	35	6.3
<b>TOTAL APPLICATIONS</b>	<b>371</b>	<b>100.0</b>	<b>173</b>	<b>100.0</b>	<b>18</b>	<b>100.0</b>	<b>562</b>	<b>100.0</b>

SOURCE - CRA Wiz 1998,1999 and YTD April 28, 2000

An analysis was also performed comparing the bank's application flow levels in 1998 to that of all other HMDA-reporting lenders. Aggregate information for 1998 indicated that, of the 35,523 HMDA-reportable applications received by all other lenders within the bank's assessment area in 1998, 6.8% were from minorities: 0.2% from American Indians, 1.1% from Asians, 0.5% from Blacks, 3.3% from Hispanics, 0.9% Joint applicants and 0.8% from Other Minorities. The bank received 371 applications during the same period. Of these, 7.8% were from minorities: 0.3% from American Indians, 1.3% from Asians, 1.1% from Blacks, 4.3% for Hispanics, 0.5% Joint applicants and 0.3% from Other Minorities. Refer to the following table for additional information.

***Lawrence Savings Bank Compared to All Other HMDA-Reporters***

Race	Lawrence Savings Bank		All Other Reporters	
	#	%	#	%
American Indian	1	0.3%	83	0.2%
Asian	5	1.3%	384	1.1%
Black	4	1.1%	189	0.5%
Hispanic	16	4.3%	1,155	3.3%
Joint	2	0.5%	334	0.9%
Other	1	0.3%	256	0.8%
<b>Total Minority</b>	<b>29</b>	<b>7.8%</b>	<b>2,401</b>	<b>6.8%</b>
White	324	87.3%	23,666	66.6%
No Information	18	4.9%	9,456	26.6%
<b>Total</b>	<b>371</b>	<b>100.0%</b>	<b>35,523</b>	<b>100.0%</b>

Source: HMDA Data for the period 1/1/98 to 12/31/98.

Lawrence Savings Bank's minority application flow is slightly below the racial composition of its assessment area and slightly higher than that of the aggregate lenders within the assessment area.

**VII. Loss of Affordable Housing**

The bank's participation in community development projects and government lending programs, along with its development of credit products with flexible lending criteria has assisted low and moderate-income individuals to remain in their neighborhoods.

**CONCLUSION (Lending Test)**

Taking into account the number and amount of home mortgage, small business and other consumer loans in its assessment area, Lawrence Savings Bank has

demonstrated good responsiveness to area credit needs. A large percentage of the bank's loans are made within its assessment area, the loans reflect good distribution throughout the communities in its assessment area, and particularly within low and moderate-income geographies. The bank's lending also demonstrates a good distribution of loans among individuals of different income levels and businesses of different sizes. The bank has an established record of serving the credit needs of highly economically disadvantaged areas in its assessment area, low and moderate-income individuals and businesses with gross annual revenues of \$1 million or less. The institution has granted an adequate level of community development loans. In addition, the bank's fair lending performance was found to be satisfactory at this time. Therefore, the institution's lending performance receives an overall rating of "High Satisfactory".

## **INVESTMENT TEST**

As defined under the revised CRA regulation, a qualified investment is a lawful investment, deposit, membership share or grant that has community development as its primary purpose. Community development includes affordable housing for low and moderate-income individuals, community services targeted to low and moderate-income individuals, activities that promote economic development by financing small businesses or small farms, and activities that revitalize or stabilize low and moderate-income geographies. In recognition of the many legal limitations on bank investments, and the long-term nature and complexity of many community development investments, the CRA regulation allows some reasonable consideration for the entire bank portfolio of qualified investments; not just those made since the previous CRA examination.

Lawrence Savings Bank has demonstrated a good level of responsiveness to community housing and economic development needs. The majority of the investments are charitable contributions to non-profit organizations that assist low and moderate-income individuals and provide education and training, neighborhood revitalization, youth programs, and health and human services. These investments, however, are typical of those provided by other corporate citizens and are not particularly complex or innovative. The bank's investment portfolio, as of March 31, 2000, totaled \$194.4 million and comprised 47.2 percent of total assets. The investments consist primarily of U.S. Government-sponsored securities, mortgage-backed securities and other marketable securities.

## **QUALIFIED INVESTMENTS**

The following investments qualify under current CRA guidelines.

### **Massachusetts Housing Finance Agency Bonds (MHFA)**

The bank purchased two MHFA bonds for a total of \$1,265,000.00 in March 1998. MHFA's purpose is to increase the supply of multifamily housing in Massachusetts for persons of low or moderate income. The bonds are secured by 55 existing mortgage

loans on 44 multifamily developments. A review of the developments securing the bonds revealed that none of the multifamily properties are located within the bank's assessment area. Even so, the bonds are given positive consideration since the bank is adequately addressing the needs of low- and moderate-income borrowers and census tracts within its assessment area.

### **Massachusetts Development Finance Agency Bonds (MDFA)**

The bank purchased one MDFA bond for \$113,000.00 in March 2000. This bond benefited LifeLink, a Merrimack Valley agency that provides housing solutions to individuals with developmental disabilities.

### **CONTRIBUTIONS**

In response to the credit needs within its assessment area, the bank supports various organizations through charitable contributions. For calendar years 1998, 1999, and year-to-date 2000 Lawrence Savings Bank granted \$41,375, \$36,200 and \$29,660, respectively, in total qualified contributions. The following are examples of the bank's qualified contributions.

**Consumer Credit Counseling (Lawrence Office):** This non-profit organization provides financial counseling and educational programs for families and individuals residing within the bank's assessment area. Services provided by this organization include seminars on budgeting, money management, and credit histories. The bank's contributions include the costs associated with credit education seminars.

**Family Support Center:** This center in partnership with the Exchange Clubs and the Greater Lawrence Community Action Council responds to parents seeking help to stop the cycle of abuse before it begins. Its goal and mission is to prevent child abuse before it happens by teaching parenting skills, anger and stress management and by supporting the entire family.

**Habitat for Humanity:** This non-profit organization focuses on the rehabilitation and development of 1-4 family dwellings for low and moderate-income individuals. For calendar years 1998, 1999 and y-t-d 2000, the bank provided grants to this organization for acquisition costs and provided technical assistance and monetary support for low and moderate-income homebuyers.

**United Way of Greater Lawrence:** The United Way of Greater Lawrence assists the physically, mentally and emotionally handicapped, the aged, the sick, the abused, the hungry and the homeless in the area. Also, the goal of the organization is to improve the lives of these individuals. Donations to this chapter of the United Way are used to fund approximately 54 various community organizations throughout the Merrimack Valley. A report generated by the United Way revealed that in 1998 the Greater Lawrence Chapter responded to the needs of 140,607 individuals.

**Elder Services:** This non-profit organization's goal is to meet the needs of Lawrence's Latino elders by increasing access in such areas as finding housing, accessing health care and nutritional services, understanding public benefits, provision of interpretation services and assistance in seeking help from other organizations.

**Fidelity House, Inc.:** This non-profit organization's goal is to assist individuals with mental retardation to participate with friends, families and neighbors in the life of their community. This agency meets the needs of these individuals through residential, educational, vocational, development and advocacy services.

**Federal Home Loan Bank's (FHLB) Grant for New England Partnerships (GNP) program:** This program acknowledges the importance of partnerships between FHLB's shareholder institutions and community-based non-profit organizations. Lawrence Savings Bank matched a \$3,000 contribution from FHLB and chose the Merrimack Valley YMCA to be the recipient.

### **Conclusion - Investment Test**

The bank's level of investments is good, although not particularly complex. The level of donations made to organizations that serve low and moderate-income individuals reflects a good responsiveness to credit and community economic development needs. Consequently, the bank's investment performance is rated "High Satisfactory".

### **SERVICE TEST**

The Service Test evaluates an institution's record of helping to meet the credit needs of its assessment area by analyzing both the availability and effectiveness of an institution's systems for delivering retail banking services and the extent and innovativeness of its community development services. The following describes the institution's services.

The bank operates five full service branches. The main office is located in a middle-income census tract. The bank's systems for delivering retail-banking services are readily available to geographies and individuals of all income levels throughout its assessment area. Low cost checking and savings products are offered and customers may access account information via telephone, 24 hours per day, seven days a week, in addition to access via the Internet and regular mail.

Lawrence Savings Bank's officers and staff at all levels have addressed community credit needs through their involvement in a wide range of community organizations, particularly those targeted to low and moderate income individuals throughout the assessment area. The types of products and services offered to consumers meets the needs of the communities served. The following details the institution's services.

## Retail Banking Services

Lawrence Savings Bank's main office is located in a middle-income census tract at 30 Massachusetts Ave. North Andover, Massachusetts. The bank operates 4 other full service branch offices located in Andover (upper-income tract), Methuen (2) (both in middle-income tracts) and Lawrence (low-income tract).

The table below reflects the hours of operation by branch location:

City/ Town	Branch Banking Hours				
	Mon. and Tues.	Wed.	Thurs.	Fri.	Sat.
Main Office-N. Andover Drive-up	9-3 7:30-5	9-1 7:30-4	9-5 7:30-5	9-6 7:30-7	9-12 7:30-1
Lawrence – Essex St. Walk-up	9-3 8-9	9-12 8-9	9-12 8-9	9-5 8-9	Closed
Jackson St., Methuen – Drive-up	9-3 8-5	9-4 8-4	9-7 8-7	9-6 8-6	9-2 8-2
W. Methuen Drive-up	9-3 8-5	9-3 8-5	9-6 8-6	9-6 8-6	9-2 8-2
Shawsheen, Andover – Drive-up	9-3 7:30-4	9-12 7:30-12	9-6 7:30-5	9-6 7:30-6	9-12 7:30-1

Branch hours are considered convenient and comparable to other local institutions, and services of the bank appear sufficient to meet the needs of the assessment area. Office hours of the bank's offices vary, but each office has extended hours on Thursdays and Fridays. As noted above, all branches with the exception of the Essex St. office, provide early morning drive-up service. In addition, Automated Teller Machines (ATMs) are located at all branches excluding the Lawrence office. All ATMs are linked to the Yankee 24, TX and CIRRUS networks. It should be noted that customers are charged a \$1.00 fee when using a non-bank ATM.

In November 1998, the bank introduced a telephone-banking product, Easy Access. The product offers 24-hour access to a customer's account. Through Easy Access, customers can check deposit and loan account information, transfer funds between accounts at the bank, obtain current rate and product information, and verify branch hours and locations.

All five-branch locations have night deposit drop boxes.

The bank provides several informational brochures concerning banking and credit services in Spanish, which accommodates the substantial Hispanic population within Greater Lawrence.

Lawrence Savings Bank maintains a Branch Closing Policy, which outlines the bank's procedures for closing branches. The policy meets regulatory requirements concerning



branch closing notification and policies. During the current exam period, the bank relocated its Lawrence branch on July 27, 1998 from 255 Essex Street, Lawrence to 300 Essex Street, Lawrence. Both locations are within census tract 2501.00, which is designated as low-income. The bank has not closed any branches during the current exam period.

### **Alternative Delivery Systems**

The bank participates in the Massachusetts Community and Banking Council's Basic Banking Program, which features low-cost basic checking and savings accounts.

### ***Community Development Services***

The revised CRA regulation defines a community development service as a service whose purpose is primarily community development and is related to the provision of financial services. Through the participation of bank management and its employees the bank is involved in providing support to local community development programs and projects. Through these involvements, the bank's staff lends their technical expertise, experience and judgment to these organizations. Detailed below are Lawrence Savings Bank's qualified community development services.

### **Involvement in Community Organizations**

The bank annually makes available a member of senior management for three months to the United Way of Merrimack Valley. This individual provides expertise for the United Way campaign by working with company campaign coordinators while fine-tuning marketing, public speaking, organizational and leadership skills. This bank is the only financial institution in the assessment area to provide such a service.

A bank Officer serves as a member of the Acre Team, which is a Neighborhood Association for the area in Haverhill known as "The Acre". This area is considered low income.

A Vice President serves as Director-Treasurer for the Lawrence Planning and Neighborhood Development Corporation. Also, the bank has applied jointly with this organization for an \$80M affordable housing grant through the FHL Bank.

The bank is actively involved in local Habitat for Humanity efforts in the construction of ownership housing targeted to very low-income families. The bank provides management expertise, financial support and volunteers. A Vice President serves on the Board of Directors and Executive Committee. In addition, a Vice President assisted Habitat one day per week for several months in collection efforts of overdue mortgages at Habitat.

A Vice President serves as Board President for Haverhill Neighborhood Association. This association purchased eight homes in low-income areas in Haverhill. It rehabbed the properties and sold them to first time homebuyers.

A Vice President serves as Vice Chairman of the Lawrence Salvation Army.

Several bank representatives serve as committee members and volunteers for the Women's Resource Center. This center assists single mothers and other low-income female residents within the Lawrence area with economic, housing and personal needs.

Several vice presidents are affiliated with the Lawrence YMCA and YWCA and hold several positions including Treasurer, Finance Committee, Trustee and Vice Chairman of the Board of Directors.

A Vice President serves as a Director of the Greater Lawrence Revolving Loan Fund. The fund was established to acquire properties for the construction or renovation of affordable housing. In addition, this fund has established a loan pool for the purpose of assisting low- and moderate-income applicants with their downpayment.

An Executive Vice President serves as Chairman of the Finance Committee for the Lawrence/Methuen Enterprise, Inc., which is an "umbrella" community development corporation committed to the revitalization of neighborhoods in Lawrence and the Arlington neighborhood of Methuen. The Enterprise is currently working with the City of Lawrence to rehab 33 units of affordable housing and with the Town of Methuen to develop a Neighborhood Business Strategy in the area of Malden Mills.

The bank's Essex Street branch opened 15 Statement Savings Accounts for the Lawrence Youth Commission. The Lawrence Youth Commission is a continuing education program to assist local youths through an education program, training program and job placement program.

### ***Educational Seminars and Services***

The bank has not participated or sponsored any educational seminars or other informational events during the current examination period.

### **CONCLUSION - Service Test**

In summary, Lawrence Savings Bank's systems for delivering retail-banking services are accessible to geographies and individuals of different income levels within its assessment area. Bank management and employees have taken proactive roles in organizations that promote economic development or target the revitalization of business communities. Therefore, the bank's performance under the service test is considered to be "High Satisfactory".

## **APPENDIX A**

### **SCOPE OF EXAMINATION**

Lawrence Savings Bank has one assessment area, which was reviewed using the examination procedures for large banks.

The CRA evaluation included HMDA-reportable loans and small business loans. The time period used for HMDA-reportable and small business loans was January 1, 1998 to April 28, 2000.

The bank's qualified investments were also reviewed and exhibit good responsiveness to credit and community economic development needs.

The bank's systems for delivering retail banking services and the provision of community development services were considered.

Lawrence Savings Bank has branch locations in the Lawrence NH-MA PMSAs.

Internal analysis generated by management was reviewed during the examination, as was comparative data for the assessment area obtained from CRA WIZ. The examination also included a review of the bank's Public File, which contained no negative CRA-related comments.

# THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

## LAWRENCE SAVINGS BANK

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **MAY 21, 2000**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors/Trustees

Dated at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ 20 \_\_\_\_\_

# PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each local community;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one local community, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that community.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee, which does not exceed the cost of reproduction, and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.